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South Carolina Legislative Audit Council

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Report to the General Assembly

January 1995

Selected Issues in Foster Care



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The Legislative Audit Council is composed of three public members, one of whom must be a practicing certified or licensed public accountant, and six General Assembly members who serve *ex officio*.

Audits by the Legislative Audit Council conform to generally accepted government auditing standards as set forth by the Comptroller General of the United States.

Copies of all LAC audits are available to the public at no charge.

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January 1995

Members of the General Assembly requested that we audit the Governor's Office Division for Review of the Foster Care of Children (formerly the Foster Care Review Board). The audit requestors also asked that we review the costs associated with the placement of children in foster care.

We reviewed the effectiveness of the foster care review board system as well as the overall costs of foster care. We also evaluated the controls over the costs of foster care placements.

Impact of Foster Care Review

In 1974 South Carolina became the first state to enact legislation to implement foster care review on a statewide basis. Beginning in 1980, federal law required states to implement a case review system in order to receive certain federal funds.

Section 20-7-2376 of the South Carolina Code of Laws directs local citizen review boards to conduct foster care reviews at least every six months for all children who have been in foster care for more than four consecutive months. The reviews consider the necessity and appropriateness of the current placement and progress toward a permanent home for the child.

Although we did not identify significant problems with the functioning of the review boards, we found two major problems with the structure of the foster care review system that impede its effectiveness:

- There is no method to ensure that the courts consider review board recommendations in making decisions about children's cases. The review board system is not "connected" to the court system. We were unable to confirm that foster care review board recommendations are always included in court files.

- There is duplication of reviews scheduled by the review boards and those mandated by state judicial review statutes. Caseworkers prepare information for and participate in both reviews. Elimination of duplication in the review structure could give caseworkers more time for other case management activities.

State law requires the Division for Review of the Foster Care of Children to report deficiencies in the management of foster care cases and to make annual recommendations to the General Assembly regarding the foster care system. The division reports violations in detail, citing 5,022 "areas of concern" and 1,048 "delays to permanence" in the reviews conducted in calendar year 1993. However, we could not determine whether the division's reporting has any effect on the management of cases, and we could find no evidence that non-concurrence reports (required when the Department of Social Services disagrees with review board recommendations) are needed.

The division's staff follows up on concerns relating to individual foster care cases. We found that the division's legal and administrative follow-up have helped to ensure continuous progress on foster care cases.

Agency comments to the audit begin on page 41.

Copies of all LAC audits are available to the public at no charge. If you have additional questions, please contact George L. Schroeder, Director.

Cost of Foster Care

The cost of foster care for children in South Carolina was over \$47 million in state and federal funds for FY 93-94. The monthly average number of children in foster care during the year was 3,798 (see table). There are two main categories of children in foster care:

- **Children who live with "regular" foster families.** These children comprise the majority of children in foster care (73%). However, they account for only 15% of the costs. The board rates paid to "regular" foster families in South Carolina have been significantly below the national and southeastern averages.
- **Children with special needs who are in therapeutic placements.** Most of these children have been defined as emotionally disturbed and need specialized treatment that cannot be offered by a "regular" foster family. The cost of foster care for special needs children (85% of expenditures) has risen from \$600,000 in FY 85-86 to an estimated \$38 million for FY 93-94. The General Assembly in 1994 established an interagency system to manage the care of these children.

In our review of placements and costs we found:

- Some Department of Social Services (DSS) therapeutic placements may not be appropriate. According to officials, some children are placed in costly therapeutic foster homes because there are no "regular" foster homes available. Once in a therapeutic placement, a child may be labeled as "emotionally disturbed" for the rest of his life.
- There is little evidence that there are effective controls over the costs of therapeutic placements. Cost is not the primary determining factor in placement decisions.

- DSS does not have adequate controls for approving accelerated board rates; payments in addition to regular rates for families whose foster children have special behavioral and/or medical needs. DSS's controls are not adequate to ensure consistent and fair distribution of funds.
- Information about expenditures for children in foster care is not easily accessible or maintained in any uniform way by the agencies involved. DSS does not have adequate information about the children for whom it has responsibility.

Federal law mandates the establishment of a nationwide data collection system for adoption and foster care. DSS should implement a statewide automated child welfare information system that will meet federal requirements, automate case management procedures, and include cost information for each child.

Estimated Cost for FY 93-94 for Children in Foster Care

	State Funds	Federal Funds	Total Funds	Placements (monthly average ^a)
Children Placed with Foster Families	\$3,100,055	\$2,521,162	\$5,621,217	2,728
Children Receiving Accelerated Board Rates	\$1,176,920	\$547,598	\$1,724,518	416
Total Children With Families	\$4,276,975	\$3,068,760	\$7,345,735	2,791 ^b
Children in Therapeutic Placements	\$16,062,410	\$24,289,158	\$40,351,568	1,007
Total All Children	\$20,339,385	\$27,357,918	\$47,697,303	3,798

a This figure approximates the number of children in care at a single point in time; it is fewer than the total number of children served annually because children continually enter and leave foster care during the year.

b An estimated 353 of the 416 children who receive accelerated board payments also receive the "regular" board payments (the accelerated payments are in addition to the basic amount). These children are counted in both groups, so they are subtracted from the total number of children placed with foster families.

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Foster Care**

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Executive Summary

Foster care issues continue to raise concerns throughout the country as well as in South Carolina. Members of the General Assembly requested that we audit the Governor's Office Division for Review of the Foster Care of Children (formerly the Foster Care Review Board). The audit requestors also asked that we review the costs associated with the placement of children in foster care. We reviewed the effectiveness of the foster care review board system as well as the overall costs of foster care. We also evaluated the controls over the costs of foster care placements.

Impact of Foster Care Review

The review board system is not "connected" to the court system.

The foster care review board system was created by the General Assembly in 1974 to prevent children from remaining in foster care longer than necessary. South Carolina was the first state to enact legislation to implement foster care review on a statewide basis. Beginning in 1980, federal law required states to implement a case review system in order to receive certain federal funds.

Section 20-7-2376 of the South Carolina Code of Laws directs local citizen review boards to conduct foster care reviews at least every six months for all children who have been in foster care for more than four consecutive months. The reviews consider the necessity and appropriateness of the current placement and progress toward a permanent home for the child.

We reviewed the effectiveness of the South Carolina review board system. Although we did not identify significant problems with the functioning of the review boards, we found two major problems with the structure of the foster care review system that impede its effectiveness:

- There is no method to ensure that the courts consider review board recommendations in making decisions about children's cases. The review board system is not "connected" to the court system; three of the six family court judges we interviewed were unable to confirm that foster care review board recommendations are always included in court files (see p. 4).
- There is duplication of reviews scheduled by the review boards and those mandated by state judicial review statutes. Elimination of duplication in the review structure could give caseworkers more time for other case management activities (see p. 6).

State law requires the Division for Review of the Foster Care of Children to report deficiencies in the management of foster care cases and to make

annual recommendations to the General Assembly regarding the foster care system. The division reports violations in detail, citing 5,022 "areas of concern" and 1,048 "delays to permanence" in the reviews conducted in calendar year 1993. However, we could not determine whether the division's reporting has any effect on the management of cases, and we could find no evidence that non-concurrence reports (required when DSS disagrees with review board recommendations) are needed (see p. 9).

We reviewed actions taken by division staff to follow-up on concerns relating to individual foster care cases. We found that the division's legal and administrative follow-up have helped to ensure continuous progress on foster care cases (see p. 12).

Cost of Foster Care

The cost of foster care for children in South Carolina was over \$47 million in state and federal funds for FY 93-94. The monthly average number of children in foster care during the year was 3,798. There are two main categories of children in foster care:

- Children who live with "regular" foster families. These children comprise the majority of children in foster care (73%). However, they account for only 15% of the costs. The board rates paid to "regular" foster families in South Carolina have been significantly below the national and southeastern averages (see p. 16).
- Children with special needs who are in therapeutic placements. Most of these children have been defined as emotionally disturbed and need specialized treatment that cannot be offered by a "regular" foster family. The cost of foster care for special needs children (85% of expenditures) has risen from \$600,000 in FY 85-86 to an estimated \$38 million for FY 93-94 (see p. 18). The General Assembly in 1994 established an interagency system to manage the care of these children (see p. 20).

Children who live with foster families comprise 73% of children in foster care, but they account for only 15% of the costs.

We reviewed controls that the Department of Social Services (DSS) and the Governor's Office Continuum of Care for Emotionally Disturbed Children Division have to ensure that their therapeutic placement decisions are appropriate. DSS needs better controls over the use of these placements; some of DSS's special needs placements may not be appropriate. According to officials, some children are placed in costly therapeutic foster homes because there are no "regular" foster homes available. Once in a therapeutic placement, a child may be labeled as "emotionally disturbed" for the rest of his life (see p. 21).

We found little evidence that there are effective controls over the costs of therapeutic placements. Cost is not the primary determining factor in placement decisions (see p. 24). We also reviewed DSS's process for approving accelerated board rates for families whose foster children have special behavioral and/or medical needs. Accelerated board rates, payments in addition to regular rates, totaled over \$1.7 million in FY 93-94. DSS does not have adequate controls to ensure consistent and fair distribution of funds (see p. 25).

Overall, we found that information about expenditures for children in foster care is not easily accessible or maintained in any uniform way by the agencies involved. DSS does not have adequate information about the children for whom it has responsibility. Federal law mandates the establishment of a nationwide data collection system for adoption and foster care. DSS should implement a statewide automated child welfare information system that will meet federal requirements, automate case management procedures, and include cost information for each child (see p. 29).

Executive Summary

The Impact of Foster Care Review

Background

In the early 1970s child welfare professionals and citizen groups served as advocates for foster care children. Various studies conducted in cooperation with the General Assembly's Study Committee on Legal and Legislative Matters Pertaining to Children indicated a need to create a foster care review system in South Carolina. The studies showed the following:

- Public and private institutions did not offer adoption services or services to allow children to return home.
- Seventy-six percent of the children in the Department of Social Services (DSS) foster care program were not returned home or adopted.
- Forty-three percent of children in foster care had been in two or more foster care placements; 18% had been in three or more placements.
- Multiple foster care placements were adversely affecting children.

The South Carolina Children's Foster Care Review Board System (FCRB) was created in 1974 to prevent children from remaining in foster care longer than necessary. South Carolina was the first state to enact legislation to implement foster care review on a statewide basis.

In 1977, the FCRB was established as a separate state agency. On July 1, 1993, as a result of restructuring, the FCRB became the Governor's Office Division for Review of the Foster Care of Children.

The division is made up of local citizen review boards, an administrative staff, and a state board. The primary function of the division is to review the cases of children in foster care. It also develops and presents statistics about foster care in South Carolina. In addition, the agency makes annual recommendations to the General Assembly and child caring facilities.

Division Staff and Funding

The division has 21 full-time employees including a director and 10 review board coordinators (see p. 39). Review board coordinators serve as staff to the local boards. Coordinators prepare information for case reviews and formulate and distribute board findings. Each coordinator is assigned to work with particular local boards.

There is also a seven-member state board whose members are appointed by the Governor with the advice and consent of the Senate. The members must be past or present members of local review boards. One member must be from each congressional district, with one member from the state at large. Prior to July 1993, the state board governed the review board system. Since restructuring, the board has functioned in an advisory capacity.

The division is supported by appropriations from the General Assembly, as well as federal and other funds. The agency's total budget for FY 93-94 was approximately \$1.2 million, of which \$1 million was state general funds (\$410,000 of this was pass-through funding for South Carolina Protection and Advocacy).

The members of local review boards are paid per diem and reimbursed for expenses. Approximately 160 citizens received approximately \$55,000 in per diem and expenses in FY 93-94.

Federal Requirements

In order to receive certain federal funds, the federal Adoption Assistance and Child Welfare Act of 1980 (Public Law 96-272) requires two types of reviews for children in foster care. First, the case of each child in foster care must be reviewed every six months to determine the necessity and appropriateness of placement and progress toward a permanent placement. Further, a dispositional hearing must be held no later than 18 months after placement and periodically thereafter to determine the future status of the child. The dispositional hearing must be held by the court or an administrative body approved by the court.

Also, federal law requires each child to have a case plan that is designed to achieve placement in the least restrictive environment near the parent's home. The six-month reviews determine the extent of compliance with the case plan and the extent of progress toward alleviating or mitigating the causes necessitating placement in foster care. The plan is to include a likely date for the child to be returned home or freed for adoption.

South Carolina Review Boards

Section 20-7-2376 of the South Carolina Code of Laws directs local review boards to conduct foster care reviews. The local citizen boards review cases at least every six months for all children who have been in foster care for more than four consecutive months. In addition, §20-7-766 provides for dispositional hearings in family court 12 months after foster care placement and every 12 months thereafter.

There is at least one local review board in each of the 16 judicial circuits. Each board is composed of five members appointed by the Governor on the recommendation of the legislative delegation of each county in the circuit. Additional local review boards have been created because of large case loads in some judicial circuits. As of October 1994, there were 35 local review boards. They conducted 8,787 reviews in calendar year 1993.

One day a month is designated for each local board to review cases. The case review involves a presentation to the local board by the child caring agency (usually DSS) about the circumstances and status of the case (such as the reason the child entered foster care and progress toward rehabilitation of the child's parents). DSS then presents its recommendations concerning the disposition of the child's case, including progress toward providing the child with a permanent family home.

The review board allows interested parties, such as the Guardian Ad Litem, foster parents or biological parents, to address the board. The board may meet privately to discuss the facts of the case. After reaching a decision, the board's chairperson announces and explains the board's recommendations regarding the permanent plan for the child. The board also cites any identified violations of law or policy and delays to the child's permanency planning (see p. 9). The findings and recommendations of the local boards are advisory.

Effectiveness of Foster Care Review

Conditions that prompted creation of the foster care review system still exist. A total of 1,854 foster care cases were closed in calendar year 1993. The average length of stay in foster care for these children was 2.5 years. A total of 1,025 (55%) of the children had been in foster care for two or more years; 253 (14%) had been in foster care for five or more years.

To review the effectiveness of the South Carolina review board system, we obtained information about the functioning of the system and how it relates to other entities such as DSS and the courts. Officials in other states provided information about their review of foster care cases. We also reviewed results of the boards' reporting and the effects of the legal and administrative follow-up conducted by the division's staff (see pp. 9, 12).

We identified problems with the structure of the foster care system in South Carolina that impede the effectiveness of the review boards:

- There is no method to ensure that the courts consider review board recommendations in making decisions about children's cases.
- There is duplication of reviews scheduled by the review boards and those mandated by state judicial review statutes.

Review Models

Federal law does not specify what agency must perform case reviews of children in foster care. States have adopted a variety of review systems, but there are three major models:

- Citizen review, where citizen boards perform the reviews.
- Judicial review, where the courts perform the reviews.
- Administrative review, where a unit within the child care agency performs the reviews.

As can be seen from Table 1.1, there is no consensus on which type of review is most appropriate or effective. Some states incorporate features from more than one type of review system.

South Carolina uses the citizen review model of foster care review. To comply with federal requirements, citizen boards review cases every six

months (see p. 2). Review board recommendations are submitted to the courts by the division as well as by the child caring facility (usually DSS).

Table 1.1: State Foster Care Review Structures

State	Administrative Agency	Primary Review Model	Other Models Used	Citizen Volunteers Appointed By
Alabama	Local Juvenile Courts	Judicial	Administrative	N/A
Arizona	Supreme Court	Citizen Review	No	Judges
Florida ^a	Non-Profit Agency/Court	Citizen Review; Judicial	Administrative	Non-Profit Agency
Georgia	Local Juvenile Courts	Judicial	Citizen Review; Administrative	Judges
Mississippi	Child Welfare Agency	Administrative	Citizen Review	Agency Director
North Carolina ^b	Local Governments	Citizen Review	No	Citizen Members
South Carolina	Governor's Office	Citizen Review	No	Governor
Tennessee	Local Juvenile Office	Citizen Review	Judicial	Judges
Virginia	Child Welfare Agency	Administrative	No	N/A

^a Generally, counties use either the judicial model of foster care review or a combination of judicial/citizen review.

^b The review system is autonomous (administered by local governments).

Source: State foster care officials.

Consideration of Recommendations

The South Carolina family court has jurisdiction over children placed in foster care. Only the South Carolina family courts can take action to terminate parental rights, allow the child to be adopted, or return the child to his family. The courts need information from all interested parties to make decisions that are in the best interest of the child.

Review board recommendations are submitted to the courts; however, there is little assurance that they are considered.

However, in South Carolina the review board system runs parallel to the courts; the two systems are not connected. Although the boards' recommendations are submitted to the courts, we found that there is little assurance that they are considered. While the review boards may petition the court to be heard, their participation is discretionary with the court.

We interviewed six family court judges (Charleston, Greenville [two judges], Kershaw, Orangeburg and York counties) to obtain information on the extent to which foster care review board recommendations are considered by the courts. Three of the six judges were unable to confirm that foster care review recommendations were always included in court files. Some of the judges stated that due to the large volume of paper work in court files, review board recommendations are difficult to locate. One judge had only recently become aware that foster care recommendations are a part of the court record.

We found some examples in other states' systems where the citizen case reviews are more directly connected to the courts. Arizona has a citizen review structure that is a part of the court system. Citizen members are appointed by judges and recommendations are submitted to the courts. According to an official of the Arizona Foster Care Review Board, review of its recommendations is usually noted in court minutes. Citizen review boards in Dade County (Miami) Florida act as support staff to the courts. Citizen board recommendations are sent to the courts. If approved, board recommendations become court orders.

Duplication of Effort

In South Carolina, the foster care review boards conduct reviews of each case every six months. The state judicial review statutes mandate that the courts review cases every 12 months (although the federal law requires an 18-month dispositional court hearing). If all the reviews are conducted as required, this would generally result in a child's case having a formal review six times in a 24-month period with some of the reviews occurring at about the same time.

Although judicial reviews and review board reviews address some different issues, a single review could perform both functions.

Although judicial reviews and review board reviews address some different issues, a single review could perform both functions. Elimination of duplication in the review structure could allow caseworkers to spend less time in preparation of case information for the various reviews. They would have more time for other case management activities.

In our contacts with officials in other states, we found some approaches which would eliminate duplication between review entities. In Dade County, Florida, a court hearing is not held when the case has been reviewed by the citizen review panel and submitted to the court. In Virginia, which has an administrative form of foster care review, an official stated that court and administrative reviews are alternated to avoid duplication.

Changes Affecting Foster Care Review

Since the inception of the foster care review system 20 years ago, other advocacy organizations and legislation affecting the foster care population have been established. However, the mission and role of foster care review have essentially remained the same.

For example:

- The Guardian Ad Litem Program, created in 1984, recruits, trains and supervises volunteers who work as advocates for abused and neglected children. Volunteers are appointed by the courts. They participate in family court proceedings and may participate in foster care reviews.
- State judicial review legislation was enacted in 1983. As noted, these reviews may duplicate foster care reviews to some extent.
- Medicaid review of foster care clients requiring residential treatment began in 1993. Reviews are to ensure that placements are appropriate (see p. 21).

Various entities are considering ways to enhance the relationship between foster care review and the courts. According to a court official, the state courts are applying for a grant which is, in part, intended to assess and improve the court's fulfillment of federal foster care requirements. Every state that files a valid application will receive a grant.

In July 1994, officials of the state and United Way of South Carolina submitted a proposed plan to obtain a grant from the W. K. Kellogg foundation for the reform of the foster care and adoption systems. The plan

recognized the need to examine foster care review “to determine the most effective way to meet the needs of children and the court system.” As of October 1994, a subcommittee was examining ways to enhance the relationship of foster care review and the courts.

Conclusion

To achieve maximum effectiveness and efficiency, there is a need for coordination between the foster care review and judicial review systems. Although these review systems perform similar functions for the foster care population, the two processes are separate and distinct.

Considerations in linking the foster care review and the judicial review systems may include:

- Placing foster care review under the judicial system.
- The appointment of local review board members by judges.
- Coordination of case review schedules between foster care and judicial review to eliminate duplication.

Coordination between the courts and foster care review would help to ensure consideration of board recommendations. Also, duplication of reviews by these entities as well as administrative preparation by other state agencies would be minimized.

Recommendation

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1. The General Assembly may wish to consider alternatives to the current structure of foster care review. The structure should involve coordination of the foster care review and judicial review systems.

Reporting Requirements

State law requires the Division for Review of the Foster Care of Children to report deficiencies in the management of foster care cases to appropriate entities. In addition, the division's state board is to make annual recommendations to the General Assembly regarding the foster care system.

We could not determine whether the division's reporting has any effect on the management of cases. We did identify one reporting requirement that is unnecessary. Also, we found that implementation of recommendations to the General Assembly is difficult to determine.

Statistics on Foster Care Cases

Section 20-7-2376(G) of the South Carolina Code of Laws requires the division:

To report to the state office of the Department of Social Services and other adoptive or foster care agencies any deficiencies in these agencies' efforts to secure permanent homes for children discovered in the local board's review of these cases

At each case review, the local review board identifies any problems with case progress and management. The board cites and records these problems, which are called areas of concern, for each case. The board staff has classified the possible areas of concern into 20 different violations in three general categories.

Category I violations include violations of the core safeguards established by the federal government in PL 96-272 and monitored during the federal audits of the Department of Social Services. These include the lack of a timely review, no written case plan, and no time frame for completion of the child's permanent plan. Category II violations include violations of state law requiring hearings within specified time frames. They also include violations of FCRB regulations for the conduct of reviews. For example, not having copies of court orders or psychological evaluations at the review, and not submitting a non-concurrence report are violations of division regulations (see below). Category III violations include violations of agency (DSS) policy and procedures, such as the procedures used to search for absent parents.

The review board also identifies and records delays to permanence. These are the local boards' opinions that unnecessary delays have occurred in

implementation of the permanent plan for the child. They are categorized into four sources of delays, such as delays in “permanency planning” and “legal.” For example, when a child’s plan includes termination of parental rights, a county DSS caseworker not submitting a termination summary to the DSS state office would be considered a delay to permanency planning.

All the violations are noted and reported in detail. The review boards identified 5,022 areas of concern and 1,048 delays to permanence in the reviews conducted in calendar year 1993. Areas of concern were recorded in 38% of the case reviews completed; delays to permanence were recorded in 11% of the reviews.

The division presents these statistics by DSS county office or area adoption office. The statistics are published in the division’s annual report and routinely distributed to DSS.

We could not determine whether the division’s reporting has any effect on the management of cases.

To determine the effects of reporting, we reviewed data on the areas of concern and delays to permanence for FY 91-92 through FY 93-94. We found no pattern of increase or decrease in the number of areas of concern or delays to permanence on an individual county or a statewide basis. For example, statistics on the delays to permanence showed increases and decreases in the same county during the review period. In Richland County, delays to permanence decreased from 24% in 1991 to 17% in 1992; then increased to 22% in 1993. We also interviewed DSS and division staff about the use of board statistics. While some personnel felt that the statistics are used to resolve problems cited, others stated that the data is not useful.

We noted that reporting on some areas of concern is needed to help ensure compliance with federal laws regarding foster care review. For example, “no written case plan for the child” is an area of concern. In order to receive federal incentive funds, §427 of Public Law 96-272 requires the states to develop a written case plan for each child. However, some violations recorded are less central to the conduct of the child’s case. For example, the requirement for non-concurrence reports could be deleted.

Non-Concurrence Reports

When DSS disagrees with a local board recommendation, it must submit a report of non-concurrence to the board. We could find no evidence that this process is needed.

Section 20-7-2391 of the South Carolina Code of Laws and Regulation 24-35 require a child caring facility or agency (DSS) that is not in agreement with

a review board recommendation on a child's permanent plan to submit a report of non-concurrence. The report is to be forwarded within 21 days of the board's written recommendation to the agency.

In calendar year 1993, the board cited "no non-concurrence report" in 143 cases. Our review of 20 cases from calendar year 1992 in which non-concurrence reports were required, indicated that the reports were not submitted in 14 (70%) of the cases. In addition, three of four DSS officials responding to a question about the purpose/value of non-concurrence reports, stated that the reports are not useful.

The formal review board recommendations already include both the board's and DSS's recommendations for the child's case. These recommendations are sent to DSS and maintained by the board's staff. Therefore, submittal of a separate report when recommendations differ is not necessary. DSS staff could use the time spent in producing non-concurrence reports for case management.

Annual Recommendations

We also reviewed recommendations to the General Assembly concerning the foster care system. Section 20-7-2379 requires the state board of the division to make recommendations to the General Assembly regarding "foster care policies, procedures, and deficiencies of public and private agencies which arrange for foster care"

We reviewed recommendations submitted for FY 90-91 through FY 92-93. In some cases, we found that it was difficult to determine the entity responsible for implementing the board's recommendation. Also, some recommendations were not measurable and it was difficult to determine if the recommendations were implemented. For example, the following recommendations were submitted in FY 90-91 and FY 92-93, respectively:

- Adequate community based treatment services for children and families must be developed statewide.
- A comprehensive accountability system for service delivery to children and families must be implemented in South Carolina.

According to division staff, the implementation of recommendations to the General Assembly is not monitored. These officials stated that recommendations may not be used.

Recommendations

2. The Governor's Office Division for Review of the Foster Care of Children should review reporting of deficiencies to ensure that data collection is beneficial to operations of the foster care system.
3. The General Assembly may wish to consider amending §20-7-2391 of the South Carolina Code of Laws to delete the requirement for non-concurrence reports. If the statute is amended, the division should amend Regulation 24-35 to delete the requirement for non-concurrence reports.
4. The state board should ensure that annual recommendations to the General Assembly specify the entity responsible for implementation and that implementation of recommendations is measurable.

Legal and Administrative Follow-Up

We reviewed the actions taken in response to local review board questions on individual cases and found that division staff has positively affected progress on foster care cases. The staff assists the review boards in their statutory responsibilities to review cases and issue recommendations and reports. We found that the staff has also taken action on individual cases.

Local board concerns sometimes require follow-up by division staff. Questions from the boards are referred to staff and routed within the division for legal or administrative follow-up.

Legal follow-up generally involves attending court proceedings or holding discussions with other agency officials. We obtained and reviewed information on division court appearances. We reviewed 26 (84%) of the 31 court appearances in FY 93-94.

The division's legal and administrative follow-up have helped to ensure continuous progress on foster care cases.

We found evidence in 15 (58%) of the 26 court appearances of participation by staff or possible consideration of board recommendations. For example, in a February 1994 judicial review, division staff requested the initiation of termination of parental rights in a case involving two siblings. The review order reflected that the request was granted.

Administrative follow-up usually involves the division sending a letter to the Department of Social Services (DSS). The following examples from calendar year 1993 illustrate action on cases after letters were sent.

- In December 1993, the division wrote DSS concerning the lack of progress on a child's plan. The division cited that no progress had been made on this plan since the child entered foster care, approximately 2.5 years earlier. After receiving no response to its first inquiry, the division sent a second letter to the agency in February 1994. Two days following the second inquiry, DSS evaluated and changed the child's plan.
- In November 1993 and in January 1994, respectively, division staff wrote letters to DSS regarding non-compliance with a December 1992 judicial review order. The order required the completion of educational assessments for two children. A February 1994 response from DSS informed the division that the assessments had been completed.

The division's follow-up has helped to ensure continuous progress on foster care cases. Although legal and administrative follow-up occurs in a small minority of the reviews conducted, without this follow-up, children may remain in foster care longer than necessary.

Cost of Foster Care

Background

Our objective was to review expenditures for children placed in foster care by the state and to evaluate controls over the costs of these placements. We considered foster care to be substitute care for children placed away from their parents or guardians and of whom the Department of Social Services (DSS) has custody. Foster care includes foster family, institutional, and group home care.

Although our review focused on children in DSS custody, many children in DSS custody are also eligible for the services of other state agencies. Other agencies are involved in the process of determining appropriate placements and paying for the care of these children. We obtained and reviewed information from:

- Governor's Office Continuum of Care for Emotionally Disturbed Children Division (Continuum).
- Department of Disabilities and Special Needs (DDSN).
- Department of Juvenile Justice (DJJ).
- Department of Mental Health (DMH).
- Department of Social Services (DSS).
- State Health and Human Services Finance Commission (HHSFC).
- State Department of Education (SDE).

Both state and federal funds are spent for children in foster care. The state funds include those paid directly to the care providers and those used to match federal funds. Federal funds spent include medicaid funds and Title IV (Social Security Act) funds provided for child welfare services and for foster care maintenance payments.

We obtained information about expenditures in FY 93-94 for children in foster care. We found that this information is not easily accessible and is not maintained in any uniform way by the agencies involved. Due to this lack of reliable and consistent information, our results are estimates of expenditures and number of placements. (For an explanation of our methodology, see Appendix A.)

Overall Costs

The cost of foster care for children in South Carolina was over \$47 million in state and federal funds for FY 93-94. The monthly average number of children in foster care during the year was 3,798. As shown in Table 2.1, there are two main categories of children in foster care:

- Children who live with "regular" foster families.
- Children with special needs who are in therapeutic placements.

Table 2.1: Estimated Cost for
FY 93-94 for Children in Foster
Care

	State Funds	Federal Funds	Total Funds	Placements (monthly average ^a)
Children Placed with Foster Families	\$3,100,055	\$2,521,162	\$5,621,217	2,728
Children Receiving Accelerated Board Rates	\$1,176,920	\$547,598	\$1,724,518	416
Total Children With Families	\$4,276,975	\$3,068,760	\$7,345,735	2,791 ^b
Children in Therapeutic Placements	\$16,062,410	\$24,289,158	\$40,351,568	1,007
Total All Children	\$20,339,385	\$27,357,918	\$47,697,303	3,798

a This figure approximates the number of children in care at a single point in time; it is fewer than the total number of children served annually because children continually enter and leave foster care during the year.

b An estimated 353 of the 416 children who receive accelerated board payments also receive the "regular" board payments (the accelerated payments are in addition to the basic amount). These children are counted in both groups, so they are subtracted from the total number of children placed with foster families.

Source: South Carolina state agencies (see Appendix A).

Children With Foster Families

Children who live with foster families are the majority of children in foster care (73%). However, they account for only 15% of the costs.

Rates paid to foster families are established by the General Assembly in the annual appropriation act. The rates are for "the basic needs of the foster children," which include food, clothing, housing, transportation and education. As reported in Table 2.2, board rates in South Carolina for FY 93-94 were significantly below the national and southeastern averages.

Table 2.2: Foster Care Monthly Board Rates for FY 93-94

Age	South Carolina	Southeastern Average ^a	National Average
0-5	\$182	\$251	\$319
6-12	\$209	\$258	\$336
13-	\$275	\$308	\$393

^a The southeastern states included in this average are Alabama, Florida, Georgia, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia.

Source: 1993-94 Appropriation Act and American Public Welfare Association.

Board rates in South Carolina were below the national and southeastern averages.

For FY 94-95, the rate for each age category in South Carolina has been raised by \$30 per month.

The annual appropriation act allows agencies to pay for other material and/or services, in excess of basic needs, which are "a direct result of a professional agency evaluation of clientele need." DSS refers to the established amount as the "regular board rate," and any excess as an "accelerated board rate." We found approximately 15% of the children who live with foster families have been approved for accelerated board rates. DSS does not have adequate controls over the approval of accelerated board payments (see p. 25).

Children in Therapeutic Placements

The cost of foster care for special needs children (85% of expenditures for FY 93-94) has risen dramatically.

The cost of foster care for special needs children (85% of expenditures for FY 93-94) has risen dramatically. Our 1991 audit of DSS reported that in FY 85-86, \$600,000 was expended to serve 19 children. DSS projected that by FY 92-93, 687 children would require special needs placements at a cost of \$20 million. The agency estimated expenditures for FY 93-94 at \$33.3 million for 1,147 children. We found that these projections were underestimated; actual expenditures for 1,534 children placed by DSS in FY 93-94 were approximately \$38 million.

The problem of foster children with increasingly serious special needs and the resulting rapid increase in costs is not unique to South Carolina. We reviewed several reports providing evidence that the number of children with special needs is growing and the average length of treatment is increasing. An April 1994 report by the United States General Accounting Office (GAO) noted that more children entered foster care due to neglect, parental drug abuse, and with health-related problems. A 1991 GAO study of foster care which included data from South Carolina found that "the number of children with special needs is growing . . . abuse and neglect reporting is increasing and economic conditions are declining."

We obtained and reviewed information about expenditures for foster care for children in therapeutic placements. Most of the children in these placements have been defined as emotionally disturbed who need specialized treatment that cannot be offered by a "regular" foster family. Because many of these children have a variety of problems, they are served by many state agencies.

There are several different types of therapeutic placement that offer different levels of care. These can be described as follows:

- *Therapeutic foster care* is provided by foster parents who are specially trained and matched with a child and who receive clinical support during the placement.
- *Moderate management group homes* are structured therapeutic group residential programs for 8 to 16 children with low to moderate emotional problems.

- *High management group homes* are structured therapeutic group residential programs for three to eight children with severe emotional problems.
- *Residential treatment facilities* are highly structured residential treatment programs with intensive, professional, multi-disciplinary focus for children with severe emotional disturbances.
- *Inpatient psychiatric hospitals* provide treatment in a hospital setting for children who cannot, because of their psychiatric problems, be served in a less restrictive setting.
- *Community crisis stabilization* is temporary treatment (24 hours to 30 days) focusing on stabilizing psychiatric or behavioral crises.
- *Supervised independent living* is a service for adolescents aged 16-21 who live with a trained alternate parent in a group home or apartment in preparation for independent living.

The state and federal fund totals reported in Table 2.3 are estimates of the funds spent by the agencies involved for children in DSS custody. The number of placements is not the same as the number of children; a single child could have multiple placements over the course of the year. The total number of children in therapeutic placements for FY 93-94 was 1,689.

We reviewed the controls that DSS and the Continuum (accounting for 98% of therapeutic placements) have to ensure that their therapeutic placements are appropriate. We identified some problems with the process at DSS (see p. 21).

**Table 2.3: Estimated Cost for
FY 93-94 by Residential Facility
for Children in Therapeutic
Placements**

Type of Facility	State Funds	Federal Funds	Number of Placements
Therapeutic Foster Care	\$4,590,682	\$7,708,334	764
Moderate Management Group Homes	\$2,247,979	\$2,078,871	427
High Management Group Homes	\$2,497,077	\$3,102,293	238
Residential Treatment Facilities	\$4,800,942	\$8,869,376	397
Inpatient Psychiatric Hospitals	\$504,194	\$1,332,491	122
Community Crisis Stabilization	\$149,253	\$123,950	42
Supervised Independent Living ^a	\$564,881	\$381,711	97
Other ^b	\$707,402	\$692,132	60
Total	\$16,062,410	\$24,289,158	2,147

^a Not funded by medicaid and not technically "therapeutic"; included as non-family residential placement.

^b Other includes out-of-state and medical placements by DSS, DJJ's placements in its own group homes and marine institutes, and DDSN's placements in its facilities that do not correspond to the facilities listed.

Source: South Carolina state agencies (see Appendix A).

Interagency System for Caring for Emotionally Disturbed Children

The General Assembly in 1994 established the Interagency System for Caring for Emotionally Disturbed Children. A goal of the system is to "support children in a manner that enables them to function in a community setting." The system was to be developed by the Continuum, DDSN, DMH, DSS, and HHSFC for implementation by November 1, 1994.

According to DSS and HHSFC officials, individual service planning teams composed of representatives from the involved agencies will determine the

appropriate treatment for each child. The agency responsible for case management will serve only the therapeutic needs of the child. DSS will still have legal custody of the children and have some responsibility for their care.

The Services Fund for Emotionally Disturbed Children, to be administered by HHSFC, was also established to support the system. The involved agencies are required to transfer to the fund all state funds appropriated to purchase services or match federal dollars for emotionally disturbed children. The fund will be used to pay for therapeutic and preventive services for these children.

We interviewed officials at DSS, HHSFC, and the Continuum who are involved in system implementation. As of October 1994, we could not obtain policies or data about funds to be transferred to the service fund that would enable us to evaluate system results or identify potential problems. It is important for officials to continually monitor the special needs population and identify creative ways to control costs and improve outcomes for these children.

Therapeutic Placements

Therapeutic residential placements are more costly than placements made with foster families. Board rates for foster parents for FY 93-94 ranged from \$182 to \$275 monthly. The least costly therapeutic placements (in Level I therapeutic foster homes) cost \$1,950 monthly. High-level placements, such as residential treatment centers, can cost more than \$10,000 per month.

We reviewed the controls that DSS and the Continuum have to ensure that their placements of foster children in therapeutic residential care are appropriate. These two agencies are responsible for approximately 98% of these placements. We found that DSS needs better controls over the use of therapeutic residential placements.

DSS Placements

When a DSS county caseworker identifies a child who needs a therapeutic placement, the worker submits a special needs application, along with a social summary or outline of the child's current behaviors, to the state office. DSS policy states that a psychological evaluation must be attached, if one has been conducted within the past year. According to department policy, no professional documentation of the child's condition is required. The county caseworker should have already located an appropriate placement for the child, with assistance from the state office as needed.

The application is reviewed by a staff person then by two supervisors. They do not normally hold a staffing, or meeting of interested parties, to discuss the child's behaviors or case. If the staff who review the application approve, the director of the resource development unit signs the appropriate forms to place the child and authorize the provider to bill for services.

The Division for Review of the Foster Care of Children found 16 (15%) of 105 placements to be questionable or inappropriate.

According to a DSS official, the level of care is determined by considering the least restrictive environment for the child, as required by federal law. There is no formal process for determining levels. Normally, the placement chosen by the county is approved by the state office.

We found that some of DSS's special needs placements may not be appropriate. Under contract to HHSFC, the Division for Review of the Foster Care of Children conducts reviews of cases of medicaid-eligible children in therapeutic placements. The division holds a staffing to discuss the behaviors and needs of the child. After that information is reviewed, the division concludes whether there is a continued need for therapeutic care, whether the level of care is appropriate and whether the placement is appropriate. In 16 (15%) of 105 reviews conducted from August 1993 through June 1994, the division found that DSS's special needs placements were either questionable or inappropriate at the time of the review.

We reviewed the DSS files of eight children for whom the division questioned the need for therapeutic placements. As of September 1994, all the children were still in therapeutic care.

Also, a 1994 study conducted by the Continuum and DSS reviewed a sample of 97 DSS clients who were in therapeutic residential placements. According to a Continuum official, the study found that 11% of these children may not be emotionally disturbed. The study also found that some children whose histories contained no record of foster care placement were directly placed in therapeutic foster care or group care.

Some children are placed in therapeutic foster homes because there are no "regular" foster homes available.

According to officials of DSS and the division for foster care review, some children are placed in therapeutic foster homes because there are no "regular" foster homes available. The number of foster homes has fallen from 2,171 in June 1992 to 1,697 as of September 1994. The 1994 study recommended that options be explored to increase the availability of community-based "regular" residential placements. The study also stressed the need to provide additional support to foster families. Additional support would include "wraparound" services, such as positive role models and activity therapy, to help prevent disruptions from the home.

DSS and Continuum officials stated that once in a therapeutic placement, a child may be labeled as "emotionally disturbed" for the rest of his life. This emphasizes the importance of the initial placement of a child. The responsible agency must be certain that the child is in need of therapeutic care before making a placement. A concern for controlling costs also reinforces the need to ensure that placements are based solely on the child's needs and not on the availability of beds. If DSS had been able to place just 45 children in regular foster homes instead of in therapeutic placements (5% of the monthly average), the state could have saved more than \$900,000 for FY 93-94.

Continuum Placements

According to Section 20-7-5640 of the South Carolina Code of Laws, the services of the Continuum are for children:

- Who have been diagnosed as severely emotionally disturbed.
- Who have exhausted existing available treatment resources or services.
- Whose severity of emotional, mental, or behavioral disturbance requires a comprehensive and organized system of care.

The Continuum requires that a child has been diagnosed by a physician or a licensed psychologist as emotionally disturbed for at least one year prior to admission. The Continuum holds a staffing with the child's family and agencies involved in the case before making a placement decision. At the staffing, the child's behavior and condition are discussed with all parties and the appropriate treatment and placement are agreed upon. The Continuum also considers psychological evaluations and other medical documentation before making a therapeutic placement. We reviewed a sample of ten files and found no material problems with the Continuum's placement procedures.

Interagency System

As the Interagency System for Caring for Emotionally Disturbed Children is implemented (see p. 20), officials have stated that the Continuum is to assume case management for most special needs children. According to a Continuum official, the Continuum's placement procedures will be used for all the special needs children, and DSS will no longer be responsible for therapeutic placement decisions. As of October 1994, however, it is not clear when the new procedures will be implemented throughout the state.

Recommendations

5. To help ensure that therapeutic placements are appropriate, the Department of Social Services should obtain professional documentation of a child's condition and/or conduct staffings prior to therapeutic placements.
 6. The Department of Social Services should take action to increase the availability of community-based non-special needs (or "regular") residential placements.
-

Cost Controls

We found little evidence that there are effective controls over the costs of therapeutic placements. Cost is not the primary determining factor in placement decisions. Most children in therapeutic placements become eligible for medicaid, and the choice of placement for children eligible for medicaid cannot be limited by cost factors. Medicaid recipients have the right to choose any provider that is both a participant in the medicaid program and willing to accept the recipient as a patient. However, there are controls over the rates that providers can charge. HHSFC regulates treatment costs through its process of determining the rates for each provider. We did not review this process.

There may be little incentive for providers to offer competitive prices.

State agencies pay a state match for treatment and child care costs (the "room and board" costs) for children in therapeutic residential placements. We interviewed officials with the division of general services (the Budget and Control Board). They stated that until the late 1980s, agencies had individual contracts with each provider, and some providers had different rate structures for each agency. Then a process of multi-agency contracts was developed.

Agencies use the request for proposal (RFP) process, and the resulting contracts establish state-wide rates for child care costs for each provider. The multi-agency RFP process requires that providers submit detailed program, financial, and management information. Each response is evaluated by a review panel. However, price and budget are only a part of the evaluation criteria; whether a provider is approved does not necessarily depend on the rates charged. There may be little incentive for providers to offer competitive prices.

Agencies do not have to use providers with whom the state has contracts; they can also use sole source (individual) contracts with other providers. Agency officials stated that the multi-agency contracts have resulted in reduced administrative costs. However, the costs for therapeutic placements have continued to rise (see p. 16).

Accelerated Board Rate Payments

The Department of Social Services has inadequate controls to ensure that accelerated board rate payments are appropriate. Accelerated board payments are funds, in addition to regular rates, paid to foster parents with a child who has special behavioral and/or medical needs.

In order for a foster family to obtain an accelerated board payment, their county caseworker must apply to the state DSS office by submitting an application and a social summary detailing the child's behaviors and/or needs. No additional documentation is required. In addition, there are no written criteria to enable the caseworker to determine if a child may qualify for an accelerated board rate.

There are no written criteria to enable the caseworker to determine if a child may qualify for an accelerated board rate.

The application is reviewed by a special needs consultant and three levels of supervision at the state DSS office; however, the final determination of the amount of the accelerated payment is made by the director of the resource development unit. There are no written guidelines stating how much should be approved for certain situations. According to the director, he bases his decisions on previous cases reviewed and compares the child's age, behaviors and medical problems to those reviewed in the past.

We reviewed a judgmental sample of 24 files and found that most requests did not contain specific documentation or information about the family's additional expenses. Conditions reported were a mixture of medical and behavioral, and there was no clear relationship between the conditions

reported and the amounts approved. It was difficult to determine why two children, both with multiple medical problems, would be eligible for two different rates. For example, we reviewed the files of two children of similar age whose foster parents received two different monthly payments (see Table 2.4).

**Table 2.4: Sample Cases
Approved for Accelerated Board
Payments**

Age of Child at Time of Request	Total Amount Per Month	Medical Conditions	Requirements of Foster Parents
Under 1 year	\$800	Intestinal problems and failure to thrive.	Medicating and feeding frequently. Weekly doctor visits. Training on child's care.
Under 1 year	\$600	Full body cast. Second degree burns. Heart monitor.	Frequent doctor visits. Know how to use certain equipment and techniques for the child's care.

In the majority of the cases reviewed, we found that the amount requested by the county was the amount granted by the state.

According to DSS records as of July 1994, there were 455 children whose foster families received accelerated board rates at the listed amounts (see Table 2.5).

The state DSS office continues to pay the accelerated board rate unless notified by the county caseworker that the need no longer exists. Of the 24 files reviewed, we found that 5 foster families started receiving the accelerated board payments prior to 1992 and were continuing to receive payments as of September 1994. It may be difficult for the county workers to make the decision to terminate additional payments to families with whom they work closely.

Table 2.5: Accelerated Board
Rates Approved, July 1994

Amount	Number of Children	Amount	Number of Children
\$300	1	\$700	1
\$350	4	\$800	55
\$400	13	\$850	1
\$450	10	\$900	7
\$475	257	\$950	4
\$500	3	\$1,000	12
\$505	6	\$1,050	5
\$550	1	\$1,150	1
\$600	65	\$1,200	7
\$630	1	\$1,250	1

Source: Department of Social Services.

Richland County had almost twice as many cases approved for accelerated board payments as the next highest county.

Also, it is not clear whether all counties have equal access to accelerated board rate payments. We found that one county, Richland, had almost twice as many cases approved for accelerated board payments as the next highest county. Five counties didn't have any homes receiving an accelerated board payment.

According to DSS officials, it would be difficult to have written criteria to determine qualifications for accelerated board payments since there are so many conditions which may qualify a foster family for these payments. Also, it is less costly to pay an accelerated board payment to a regular foster family to take a child to outpatient therapy than to place the child in a therapeutic foster home (see p. 18). However, better controls are needed to ensure consistent and fair distribution of funds.

Recommendations

7. The Department of Social Services should develop written guidelines that include criteria for qualifying for accelerated payments and guidance on amounts to be granted for certain medical or behavioral conditions.
8. DSS should require documentation, in addition to the social summary, which more specifically estimates the additional costs to be incurred by foster parents for whom accelerated board payments are requested.
9. The DSS state office should conduct an annual review of each accelerated board rate case to determine the continued need for additional funds.

Expenditures for Guaranteed Beds

The Governor's Office Continuum of Care for Emotionally Disturbed Children Division has not always used the multi-agency contracts previously described. The Continuum has exclusive contracts with some providers of therapeutic care that reserve a certain number of spaces for Continuum clients. The Continuum has paid these providers for beds that were not filled.

In FY 93-94, the Continuum had 10 exclusive contracts with providers for 43 beds. The agency estimates the occupancy rate for these beds was 90%. Therefore, approximately 10% of the beds were not filled. The Continuum is obligated by its contracts to pay for the beds so they will remain available. In FY 93-94, the Continuum paid \$233,436 in state funds for the unfilled beds.

Continuum officials stated that exclusive contracts were first started approximately ten years ago because the Continuum needed services, such as high management group homes, that were not being offered by other providers. Since that time, the Continuum has continued its use of exclusive contracts to ensure that beds will be available for its clients. According to officials, if a provider had the choice of accepting a less severely disturbed child or a Continuum client, the provider would more than likely choose the less disturbed child. In addition, the exclusive contracts contain a "no reject/no eject" clause, which means that a provider cannot turn down a Continuum child nor can it dismiss a difficult child from its program.

The Continuum monitors the utilization of the guaranteed beds. An official stated they anticipate a higher level of occupancy when the Continuum

becomes responsible for the case management of a large number of DSS special needs children under the interagency system to be implemented during FY 94-95 (see p. 20). However, expenditures for empty beds should be minimized in the interest of cost effective use of funds.

Recommendation

10. The Governor's Office Continuum of Care for Emotionally Disturbed Children Division should minimize expenditures for unfilled beds held under exclusive contracts.

Information on Children in Foster Care

The Department of Social Services does not have adequate information about the children for whom it has responsibility. DSS currently operates 12 automated information systems in support of children and family services. Although many of these systems record related information regarding foster care, the systems are unable to communicate with each other. For example:

- The information on placements of special needs children is maintained on a personal computer controlled by one person. Only contract obligations are recorded on this system and the information is not reconciled with payment information. As a result, there is a \$6.6 million difference between the placement information and the actual expenditures (see p. 37).
- The number of children in the foster care tracking system cannot be reconciled to the number of children in payment and other status information systems; in a recent DSS informal count, the status of 277 children in the foster care tracking system could not be accounted for in the agency's other systems.
- The information needed for audits of federal Title IV-E foster care maintenance and adoption assistance payments is not available from one system. The payment information is located on a different system from the placement information.

Another problem cited by a DSS official is that the county caseworkers do not have access to the information systems and must complete written requests for any information. For example, if a caseworker takes in a child

over the weekend and wants to find out if the child has been seen by DSS previously, the worker must complete a form and send it to the state office to obtain that information. The time spent in paperwork to obtain information could be better used in case management.

The inadequacy of DSS information systems could contribute to problems in ensuring the delivery of quality services for children and families.

Federal Information Requirements

Federal law (42 U.S.C. §679) now provides for the establishment of a nationwide data collection system for adoption and foster care. The system is "designed to collect uniform, reliable information on children who are under the responsibility of [DSS] for placement and care" (58 Fed. Reg. 67912 (1993)). The law provides that states begin to collect data on October 1, 1994, and start reporting data to the federal government by May 15, 1995. Penalties are to be assessed semiannually against a state for failure to report data, late data, or inadequate data. Full penalties will not be imposed until 1999. The maximum penalty that can be assessed against South Carolina is approximately \$500,000 annually.

DSS does not have a system that meets the requirements of a nationwide data collection system for adoption and foster care. The federal government, through September 1996, is offering funding to states at a 75% match rate for the implementation and equipment costs of a statewide automated child welfare information system that will comply with the regulations. DSS has submitted a proposal for developing a system. The federal government has approved DSS's initial proposal, but the agency has not moved beyond the planning stage. DSS estimates that it will cost over \$7 million in state matching funds to meet the federal requirements, if all the work is completed before September 1996. To ensure compliance with federal regulations and avoid the loss of federal funds, DSS should have a statewide automated child welfare information system implemented by September 1996.

Federal regulations for the required information system do not specify that financial or cost information be included in the system. They do not specify that the system should be available to agency (DSS) staff throughout the state or that it should automate case management procedures that are now performed manually. However, these features are needed to address information problems noted above. DSS plans to include all case management information on the system. The information would be entered by DSS caseworkers who would each have a computer. DSS also plans to include cost information for each child.

Recommendation

11. The South Carolina Department of Social Services should implement a statewide automated child welfare information system by September 1996. In addition to meeting federal data collection requirements, the system should automate case management procedures and include cost information for each child.

Appendices

Audit Objectives, Scope and Methodology

Members of the General Assembly requested that we audit the Governor's Office Division for Review of the Foster Care of Children. The division (formerly the Foster Care Review Board) administers the foster care review board system. The audit request also asked that we review the costs associated with the placement of children in foster care and whether those costs are reasonable. After consulting with the audit requestors and conducting survey fieldwork, we developed audit objectives related to these separate issues in foster care. This audit was conducted in accordance with generally accepted government auditing standards.

Impact of Foster Care Review

One overall objective of our review was to review the role of the foster care review board system and evaluate its effectiveness. We focused on the results of the boards' reviews. We also assessed the results of the boards' reports and other recommendations. We reviewed the roles of other entities in the foster care system, including the Department of Social Services, the guardian ad litem program, and the courts to determine how they interact with the review boards. We focused on the effectiveness of the review boards rather than efficiency or other aspects of the boards' operations. Our primary period of review was from FY 91-92 through FY 93-94.

We reviewed publications, policies, and other administrative records of the Division for Review of the Foster Care of Children. We also examined children's case records maintained by the division and observed foster care reviews conducted in two counties. We interviewed division staff, citizen members of the review boards, officials with other South Carolina and federal agencies, and representatives of interested organizations. We reviewed published articles and reports about foster care review. We conducted interviews with officials and obtained information about foster care review systems in the other southeastern states and Arizona.

We used judgmental sampling to review cases of children where the local board's recommendation differed from the recommendation of DSS. However, the outcomes of these cases did not provide evidence that could be used to evaluate the impact of the reviews. We also used judgmental sampling of the cases referred to division staff for legal and administrative follow-up to obtain documentation of results of staff action.

The primary criteria we used to measure effectiveness were the goals and objectives of foster care review, as stated in federal and state law and the

reports and publications we reviewed. We also considered foster care review systems in other states.

Cost of Foster Care

Our second overall objective was to review the costs of foster care. We sought to obtain detailed information on the amount spent for FY 93-94 from all agencies that pay for children's foster care. We reviewed the controls that agencies use to ensure that placements for therapeutic care are appropriate. We also reviewed controls over the costs of foster care, including DSS's process for approving accelerated board payments and controls over rates charged by providers of therapeutic foster care.

We obtained data about the costs of foster care for children in DSS custody. (The state funds residential placements for some additional children, such as those at the School for the Deaf and the Blind or those who remain in their parents' custody and are placed in treatment facilities by the state.) We obtained information from DSS, the Governor's Office Continuum of Care for Emotionally Disturbed Children Division (Continuum), the Department of Disabilities and Special Needs (DDSN), the Department of Juvenile Justice (DJJ), the Department of Mental Health (DMH), the State Health and Human Services Finance Commission (HHSFC), and the State Department of Education (SDE).

We found that the data about expenditures for children in foster care is not easily accessible or maintained in any uniform way by the agencies involved. Due to the lack of reliable and consistent information, our results are estimates of expenditures and number of placements. The following summarizes the methodology used to estimate the expenditures and number of children.

Children Placed With Families

For those children placed with foster families, we obtained from DSS the total of state and federal funds spent for FY 93-94. The total funds spent includes funds spent for children who receive accelerated board payments. DSS separates the costs of placements that are partially funded with federal Title IV-B (funds in support of child welfare services) from those funded partially by Title IV-E (matching funds available to eligible children for foster care maintenance payments). A child receives either Title IV-B or IV-E payments, but not both. The monthly average number of children with

foster families was estimated by averaging the number of placements each month with Title IV-B and Title IV-E funding; we then totaled the averages of each type.

For those children receiving accelerated board rates, we obtained from DSS the total of state and federal funds spent for FY 93-94. The total expenditures are those funds paid in addition to the regular board rates. The regular board payments for these children are reported under the placements with foster families. The monthly average number of children receiving accelerated board payments was estimated by averaging the number of placements each month with Title IV-B and Title IV-E funding; we then totaled the averages of each type.

Children in Therapeutic Placements

For those children in therapeutic placements, we obtained the total state and federal funds spent by type of facility (see p. 16). As noted, information maintained from agency to agency differed.

- DSS's information by type of facility is a record of contract obligations rather than expenditures. The agency could only provide an overall total of expenditures. For FY 93-94, DSS's contract obligations were approximately \$6.6 million more than the actual expenditures. To estimate expenditures by type of facility, we multiplied the contract obligations by the percentage of actual expenditures to contract obligations.
- DDSN does not record expenditures by individual child. The agency could only provide an average cost per child. We multiplied the average cost by the number of children in DSS custody to estimate expenditures.
- DJJ was unable to provide the number of children in therapeutic placements who were in DSS custody. To estimate expenditures, we multiplied the percentage of children in DSS custody for the entire DJJ population by the expenditures for therapeutic placements.
- HHFSC does not record federal fund expenditures by individual children. The agency could only provide total expenditures by type of facility. We estimated federal expenditures for children in DSS custody by using methodologies appropriate to each agency.

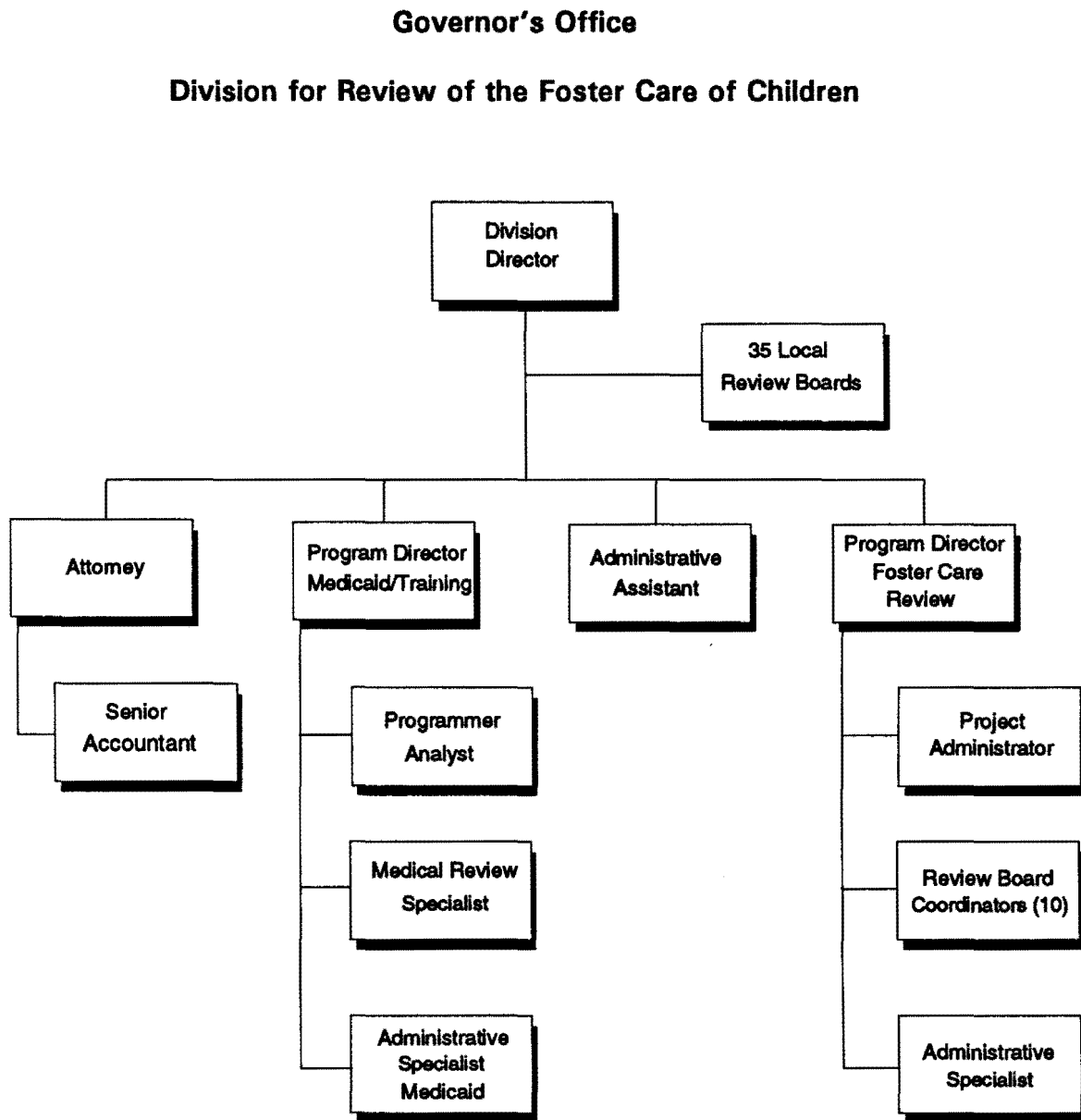
To estimate the monthly average number of children in therapeutic placements, we averaged the monthly totals of children in therapeutic

placements for DSS and the Continuum. (The monthly average for DSS was adjusted to account for known errors in the year-end total of children.) We could not obtain monthly totals from DDSN and DJJ. Therefore, we used the weighted average of the ratio of monthly totals to year-end totals for both DSS and the Continuum to estimate the monthly average for DDSN and DJJ.

To evaluate management controls over placements and costs, we interviewed officials and reviewed policies at DSS, the Continuum, HHSFC, the Division for Review of the Foster Care of Children and other South Carolina and federal agencies. We also reviewed judgmental samples of children's case files at DSS, the Continuum and the division. We reviewed medicaid policy and interviewed procurement officials with the Budget and Control Board. We also reviewed and considered federal law and regulations concerning funding for foster care and federal information reporting requirements.

We did not review the reliability of the computer-generated data provided by any of the agencies involved. As discussed, we concluded that much of the data we received was not reliable, and our results are presented as estimates. However, when the data we received is viewed in context with other available evidence, we believe the opinions, conclusions and recommendations in this report are valid.

Organization Chart



Source: Division for Review of the Foster Care of Children.

Appendix B
Organization Chart

Agency Comments

Appendix C
Agency Comments



State of South Carolina

Office of the Governor

CARROLL A. CAMPBELL, JR.
GOVERNOR

OFFICE OF EXECUTIVE
POLICY AND PROGRAMS

January 3, 1995

George L. Schroeder, Director
Legislative Audit Council
400 Gervais Street
Columbia, South Carolina 29201

Dear Mr. Schroeder:

The Governor's Office, Division for Review of Foster Care of Children has reviewed the Legislative Audit Council Report to the General Assembly on "Selected Issues in Foster Care." The Division's response and comments are enclosed.

The Division commends the staff of the Legislative Audit Council for their professionalism in conducting this audit. The Division particularly appreciates the comments under "Legal and Administrative Follow-up" which reflect effectiveness and professionalism of its staff.

Sincerely,

A handwritten signature in cursive script, reading "Cornelia D. Gibbons".

Cornelia D. Gibbons, ACSW
Division Director

CDG/pdg

RESPONSE TO LAC REPORT TO THE GENERAL ASSEMBLY ON SELECTED ISSUES IN FOSTER CARE

Chapter I - "The Impact of Foster Care Review"

1. "Review Models" (pp. 4-6):

The report states:

"Review Board recommendations are submitted to the courts by the division as well as by the child caring facility (usually DSS)"

Response:

Pursuant to 23A S.C. Code Ann. Regs. 24-33 (Supp. 1993) the Division submits review board recommendations to the court and the Department of Social Services. The Department of Social Services is required by Section 20-7-766 S.C. Code Ann. (1985) to include the review board report in its Supplemental Report to the court when requesting a judicial review. Thus, judges should find review board reports attached to the judicial review pleadings. (Reference Page 6 "Some of the judges stated that due to the large volume of paper work in court files, review board recommendations are difficult to locate.")

2. "Conclusions" (Page 8)

The report states:

"To achieve maximum effectiveness and efficiency, there is a need for coordination between the foster care review and judicial review systems. Although these review systems perform similar functions for the foster care population, the two processes are separate and distinct.

Considerations in linking foster care review and the judicial review systems may include:

- Placing foster care review under the judicial system.
- The appointment of local review board members by judges.
- Coordination of the case review schedules between foster care and judicial review to eliminate duplication."

Coordination between the courts and foster care review would help to ensure consideration of board recommendations. Also, duplication of reviews by these entities as well as administrative preparation by other state agencies would be minimized."

Response:

The Governor's Office position is that the Foster Care Review System shall remain a Division of the Governor's Office as statutorily mandated pursuant to the 1993

Restructuring Act. The Review System should not be placed under the judicial system. Placing the Foster Care Review System under Court Administration will not, in and of itself, cure the structural considerations identified in the LAC report. The administrative home for the review system is not as important as providing the review system with the statutory authority to communicate effectively with the Family Court System, to coordinate hearings and to require action by the Department of Social Services and other appropriate entities in response to recommendations of the foster care review boards. The Division supports the above statement by reference to the Dade County System noted on page 7 of the LAC report. The Dade County System is not part of Court Administration but rather is a 501c(3) non-profit agency which has statutory authority to conduct reviews for the Family Court.

The Division does however, support the intent of this Recommendation and agrees that "To achieve maximum effectiveness and efficiency there is a need for coordination between the foster care review and the judicial systems."

Thus, the Division agrees that judges should have a mechanism to participate in the appointment of local review board members. Input from the judges would enhance the relationship between the court and the review board and help to ensure consideration of board recommendations. However, the ultimate appointment authority should remain with the Governor.

The Division concurs with the conclusion that "Coordination of case review schedules between foster care and the judicial review system to eliminate duplication" is a worthy goal. The Division also agrees with the statement on page 6 that "if all the reviews were conducted as required, this would generally result in a child's case having a formal review six times in a twenty-four month period with some of the reviews occurring at about the same time." However, the Division would point out that, in fact, very few cases of duplication actually occur because many judicial reviews are not held within statutorily mandated time frames.

On November 23, 1994, Division staff reviewed a representative sample of cases to validate the previous statement. This study indicated that only 9.5% of the cases were actually reviewed by both the Family Court and the review board within a 30-day window of time. (Please see attachment for a detailed description of the above-referenced study.)

3. **"Annual Recommendations" (Page 11):**

The report states:

"According to Division staff, the implementation of recommendations to the General Assembly is not monitored."

Response:

Division staff monitors recommendations made to the General Assembly. While the Division does not have a formal process of evaluation and measurement, the Division does follow any legislation or administrative changes related to the recommendations that have been made. Several recommendations made by the Division have been acted on by the General Assembly through statutory changes. Other recommendations have been followed by the Department of Social Services through internal policy changes.

4. **"Recommendation" (Page 12)**

The report states:

"The Governor's Office Division for Review of the Foster Care of Children, should review reporting of deficiencies to ensure that data collection is beneficial to operations of the foster care system."

Response:

The Division is willing to review the reporting of deficiencies such that it is of maximum benefit to the system. However, to "ensure" that data collection is beneficial would necessitate some authority to be vested in the review system to require the Department of Social Services or other entities to take actions in response to deficiencies identified by the review system. The comment in the margin on page 10, "We could not determine whether the division's reporting has any effect on the management of cases" may imply that the Division has the authority to use its recommendations to effect the management of cases; whereas, the effective use of information reported by the Division is determined by the Department of Social Services and/or other entities reviewed.

5. **"Recommendation" (Page 12)**

"The General Assembly may wish to consider amending 20-7-2391 of the South Carolina Code of Laws to delete the requirement for non-concurrence reports. If the statute is amended, the division should amend Regulation 24-35 to delete the requirement for non-concurrence reports."

Response:

The Division concurs.

6. **"Recommendation" (Page 12)**

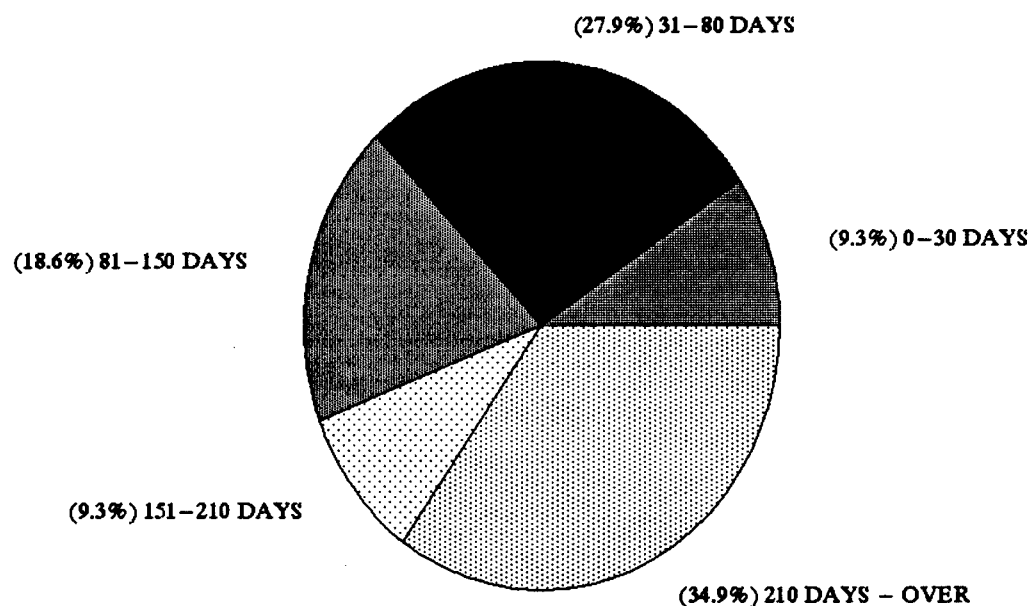
The report states:

"The state board should ensure that annual recommendations to the General Assembly specify the entity responsible for implementation and that implementation of recommendations is measurable."

Response:

The Division supports the suggestion that the annual recommendations be measurable. However, since the Division is a part of the Governor's Office, the recommendations should be made in a report to the Governor. The report to the General Assembly should be eliminated.

Comparison Study of Dates of Judicial Review and Foster Care Review



Analysis of number of days between foster care review and judicial review as explained below:

The data was collected by study of a representative sample of cases active during the period January 30, 1994 through June 30, 1994. Only cases with three or more foster care reviews were considered for the study. An alpha listing of the cases was compiled of which every fiftieth case was selected. This listing consisted of 2,610 cases of which 43 were selected for study.

The benchmark for the casestudy was the date of the last even-numbered foster care review which also had a subsequent foster care review. (Please note that it was necessary to have a review subsequent to the benchmark review so that the period before and after the benchmark could be studied). This method was chosen because the annual judicial review should statutorily closely coincide in time to the second, fourth, sixth, *et cetera* foster care review. The date of the nearest judicial review either prior to or after the benchmark was recorded for the study.



SOUTH CAROLINA DEPARTMENT OF SOCIAL SERVICES

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J. SAMUEL GRISWOLD, PH.D.
STATE DIRECTOR

January 3, 1995

Mr. George L. Schroeder, Director
Legislative Audit Council
South Carolina General Assembly
400 Gervais Street
Columbia, South Carolina 29201

Dear Mr. Schroeder:

I appreciate having had the opportunity to review the Legislative Audit Council's report, "Selected Issues in Foster Care." First, I would commend you and your staff on the overall quality of the report. You have managed to address some rather complex issues but have done so in a succinct and accurate manner. I also appreciate the attention given to those efforts currently being implemented by the state agencies which address some of the concerns described in the study.

Specifically, the following activities are designed to address the concerns in the study:

1. The Department of Social Services is continuing to participate in the discussions with the Governor's Office Division for Review of the Foster Care of Children as to how a review system might provide the most efficient and effective third party review of children in care. This has become an even more critical discussion given the complexity of the cases and the special needs of many of our foster children.
2. As a state agency involved with the implementation of the Interagency System of Caring for Emotionally Disturbed Children, the Department of Social Services remains committed to keeping emotionally disturbed children within their families and within their own communities whenever possible. While child welfare caseworkers have had the responsibility for clinical decisions on placements of many of the emotionally disturbed foster children, it is anticipated that the shift in lead responsibility to the Continuum of Care or to Mental Health will result in more consistent and appropriate decision-making regarding this special group of children.

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**COUNCIL ON ACCREDITATION
OF SERVICES FOR FAMILIES
AND CHILDREN, INC.**

Mr. George L. Schroeder, Director

Page 2

3. In terms of accelerated board rates, the Department of Social Services recognizes the concerns regarding this issue. We are currently working with the Health and Human Services Finance Commission to establish consistent statewide criteria for a system of accelerated payments which would allow a foster child's continued stay in a foster family rather than a placement in a more expensive and perhaps more restrictive therapeutic placement.
4. The Department is still committed to having a statewide automated information system by October 1, 1996. We maintain that such a system will greatly enhance the work processes within the entire child welfare system.

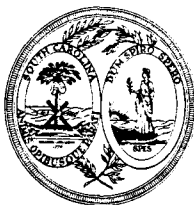
Again, thank you for the opportunity of reviewing the Legislative Audit Council report.

Sincerely,

A handwritten signature in cursive script that reads "Sam Griswold". The signature is written in dark ink and is positioned above the printed name and title.

J. Samuel Griswold
State Director

JSG/kff



State of South Carolina

Office of the Governor

CARROLL A. CAMPBELL, JR.
GOVERNOR

OFFICE OF EXECUTIVE
POLICY AND PROGRAMS

January 4, 1995

Mr. George L. Schroeder, Director
Legislative Audit Council
400 Gervais Street
Columbia, South Carolina 29201

Dear Mr. Schroeder:

On behalf of the Continuum of Care Division, I wish to express our appreciation for the time and effort your staff invested with the Continuum of Care in the recent Legislative Audit Council's review of selected issues in foster care. We were pleased to have this external validation of the effectiveness of the operation of the Continuum Division as there were no significant problems identified with the way therapeutic services are provided to emotionally disturbed children by the Division. Nonetheless, there are a few areas in the report which we believe warrant further explanation or comment:

1. On page vii (Executive Summary) and page 24 (Cost Controls), the report states, "We found little evidence that there are effective controls over the costs of therapeutic placements." In the same paragraph on page 24, the report continues, "However, there are controls over the rates that providers can charge. HHSFC regulates treatment costs through its process of determining the rates for each provider. We did not review this process."
2. On page 28, the report discusses expenditures by the Continuum of Care for "guaranteed beds." There is an implication that reserving specialized therapeutic beds for severely emotionally disturbed clients of the Division so that the beds will be available when needed is not cost effective. We believe that the data show otherwise. Most providers of specialized residential services base their daily rate on a projected occupancy of 85% to 90%, as it is improbable that any facility will be 100% full every day of the year. The Continuum's utilization of 43 guaranteed beds in a total of ten different facilities spread across the state averaged 90% occupancy, which is consistent with normal program occupancy rates.


Mr. George L. Schroeder
January 4, 1995
Page Two

Continuum of Care clients are the most severely disturbed, difficult to manage children in South Carolina, and some providers will not accept Continuum clients into their programs. Therefore it is necessary to ensure that a few specialized therapeutic placements are available at all times to meet the unpredictable needs of this population. When the Continuum Division guarantees payment for a specialized therapeutic bed, it is with the requirement that the provider will accept and serve any child referred by the Division and will not eject the child if his/her behavior becomes difficult to manage. We believe the policy of guaranteeing beds enables more appropriate and more therapeutic placement of children and does not result in excessive costs to the state. Nonetheless, we will continue to monitor the utilization of these beds so that expenditures will be minimized.

3. On page vii (Executive Summary) and page 36 (Cost of Foster Care) the report states, "We found that the data about expenditures for children in foster care is not easily accessible or maintained in any uniform way by the agencies involved." While this statement may be true, it does not give credit to the Continuum of Care Division for having comprehensive data and being able to provide it as requested by Audit Council staff. An itemization of problems encountered in collecting data is on page 37 of the report. No problems were noted regarding Continuum of Care Division information.

We appreciate the professional manner with which your staff conducted the audit. If I can be of assistance to you in the future, please do not hesitate to contact me.

Sincerely,


Paula B. Finley
Division Director

Appendix C
Agency Comments

**The State Health and Human Services Finance Commission
reviewed Chapter 2 of the report but did not
submit comments for publication.**



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Appendix C
Agency Comments

This report was published for a total cost of \$871.10; 330 bound copies were printed at a cost of \$2.64 per unit.